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TAGS: ECON ETRD EINV KIPR CH
SUBJECT: CULTURAL INDUSTRIES REJUVENATE! (NOT ABOUT MARKET ACCESS)

Reftels: Beijing 1654, Beijing 1339, Beijing 592, Beijing 585, Beijing 583, Beijing 515, Beijing 443, Beijing 425, Beijing 326, Beijing 151

¶1. (SBU) Summary: ChinaQs State Council July 22 announced it would lower the investment threshold in the entertainment and cultural industry and allow more private and foreign interests to invest in state-owned media groups. The moves were announced along with approval of a Culture Industry Rejuvenation Plan, the eleventh of a series of industry revitalization plans China has issued this year. U.S. film industry contacts expect no significant impact on market access for foreign products. Significantly, this is the first of ChinaQs industrial revitalization plans with a clear emphasis on domestic consumption rather than production. End Summary.

¶2. (SBU) Chinese media reported July 22 that the PRCQs State Council approved a Culture Industry Rejuvenation Plan, the eleventh in a series of industrial revitalization plans issued in 2009. The plans seek to stimulate domestic demand, consumption, and economic restructuring in response to the global economic downturn. The PRC originally only heralded ten such plans, making this latest plan unexpected (see Reftels for prior reporting). An official text has yet to be published, though the plan reportedly will Qactively promoteQ multimedia broadcasting, digital media, web and mobile TV service, as well as investment in publishing and advertising. The National Development and Reform Commission and the Ministry of Commerce currently severely restrict foreign investment in these sectors.

¶3. (SBU) The planQs primary objectives include accelerating development of entertainment and media; innovating cultural products and services based on changes of consumption structure and needs; restructuring media outlets; fostering emerging cultural industries such as mobile multi-media TV, internet media, mobile phone media; encouraging and supporting export policies of cultural products and services; and expanding international trade in cultural industries. Like previously released revitalization plans, this too emphasizes expansion of Qindigenous innovation.

¶4. (SBU) Positive aspects of the plan reportedly include lowering market access barriers for private and foreign capital entry into the cultural sector, as well as reform of the shareholding and ownership structure of cultural SOEs. Beyond financial support and inducements to attract investment, the plan also contemplates greater intellectual property protection in content production, and more robust IPR enforcement in the market. The plan complements a May 2009 initiative, in which the government issued new guidelines for financial support of the culture trade and industry, including Exim-Bank of ChinaQs provision of export credit guarantees and loans and financial consultation.

ChinaQs Cultural Trade Booming

¶5. (SBU) According to a 2008 Ministry of Finance and Commerce report, ChinaQs 2008 total core trade in cultural products stood at RMB 15.84 billion (USD 2.32 billion) up 22.6 percent year-on-year; import of cultural services reached RMB 25.37 billion (USD 3.71 billion), up 29.5 percent year-on-year. ChinaQs major export in the

cultural domain consists of electronic games; audio/visual products comprise its key imports. The Chinese Academy of Social Sciences estimates the value-added component of the entertainment and cultural industry has grown at more than 20 percent annually in recent years, though still only accounting for less than 5 percent of GDP.

Industry Reaction

¶6. (SBU) U.S. film industry representatives report significant impact for its interests will likely be minimal, but note with interest the planQs effort to encourage foreign capital participation in this sector. More broadly, U.S. industry remains committed to encouraging China to allow greater market competition and more market-oriented practices in all areas, including eliminating quotas on the import and distribution of foreign entertainment products, as well as to eliminating discriminatory regulations against foreign companies in equity ownership of investment projects and joint ventures.

Comment

¶7. (SBU) This latest industry revitalization plan clearly aims to stimulate ChinaQs domestic consumption and to lay foundation for greater development of ChinaQs QculturalindustryQ in coming years. That this plan is the first to focus more on consumption, rather than production, is noteworthy for the economic Qrebalancing scorecard. While the plan might provide limited windows of opportunity for U.S. investment in ChinaQs tightly-protected QculturalQ realms, as well as much desired further progress on IPR protections, at least for Chinese rightsQ holders, longer-term, substantial opportunities and benefits for U.S. interests remain uncertain.

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